



# **Gobi Regional Economic Growth Initiative**

---

P.O.Box - 761  
Ulaanbaatar - 49  
Tel: 461145, Fax: 461048

## **Year Two - Second Quarter Report April 8 - July 7, 2005 Cooperative Agreement # 438-A-00-04-00002-00**

**Submitted to the U.S. Agency for International Development**

**By**

**MERCY CORPS**

**Mercy Corps Mongolia  
24 Peace Avenue, Bayanzurkh District  
Ulaanbaatar, Mongolia  
Phone: 976-11-461-145  
Contact: Steve Zimmerman, Chief of Party  
Email: [szimmerman@mercycorps.org](mailto:szimmerman@mercycorps.org)  
Sean Granville-Ross, Deputy Chief of Party  
Email: [sean@gobi.initiative.org.mn](mailto:sean@gobi.initiative.org.mn)**

**July 25, 2005**

## **GOBI INITIATIVE PHASE II – YEAR TWO - SECOND QUARTER REPORT**

### **INTRODUCTION:**

The Gobi Regional Economic Growth Initiative-Phase II (Gobi II) project began on January 8, 2004, funded under Cooperative Agreement #438-A-00-04-00002-00. The project is being implemented by Mercy Corps in partnership with Pact, Inc.

### **Program Highlights for the Second Quarter:**

- The Gobi Initiative (GI) and the Rural Agribusiness Support Program (RASP) held a joint mid-year planning meeting from 27th June to 2nd July with a total of 58 staff from the aimags and UB participating. The meeting provided an opportunity to review the first six months of 2005 and to plan the program activities for the second half of the year. Meeting recommendations included the need to (a) ensure, through closer monitoring, that all herder clients receive the appropriate technical assistance when it is most needed, (b) increase capacity-building of local government officials vis-a-vis their support for specific rural business needs, (c) provide additional training to aimag-based cooperative development consultants to increase their training and technical assistance delivery skills, (d) undertake, in a more systematic way, the assessment of organizational capacity needs of existing herder cooperatives and the development of training programs based on those needs, and (e) begin identification of future herder cooperative leaders and development of training plans for these individuals.
- GI met with the Governor of Uvurhangai, Mr. B. Erdenebilegt, to agree upon collaboration with respect to plans by the "Aviat Aman Bulag" cooperative to cultivate fodder on 100 hectares of land. The aimag government has developed a four-year plan to establish fodder production on 1,000 hectares, with the goal of having more fodder available for herders within the aimag and for the state reserve. A Memorandum of Understanding was developed and signed between the three parties (GI, cooperative and aimag government) outlining the roles and responsibilities of each in ensuring the success of this initial undertaking. Mercy Corps sees this specific collaboration effort as a model for future cooperation between the project and local governments.
- GI facilitated the participation of 72 herders in the 'Farm Mechanization 2005' trade fair organized by the Ministries of Food and Agriculture and Trade and Industry. The fair provided an opportunity for machinery and equipment suppliers and other businesses involved in the agricultural sector to display their products and to provide information regarding the services offered by companies working in this sector of the economy. The herders purchased MNT 17.4 million worth of equipment and placed several large orders for machinery. The trade fair, sponsored by the Ministry of Food and Agriculture, has become an annual event and GI has facilitated herder participation for the past two years. It is expected that, in the future, herders will begin to attend the fair without GI logistical support as they increasingly see the value of learning more about the new technology and equipment and have the financial resources (or access to the resources) needed to purchase the equipment.
- GI has begun sourcing Mongolian cashmere for Patagonia as part of its efforts to upgrade its 2006 product line. The first test sample was sent to the Hong Kong spinner/knitter in June. The test sample met their specifications and if the numbers can be made to work financially, GI will seek, over the next 18 months, to establish a permanent link between in-country producers and interim processors (washing/dehairing) and the spinner/knitter in Hong Kong. This is an exciting step forward which could effectively validate the project's defined strategy of being fully "demand-driven" as opposed to "supply-side" oriented (a basic flaw of the original Gobi I project design).
- Mr. Jay Angerer from Texas A&M University joined the Gobi Forage team for two weeks to conduct further field work to verify the forage forecasting model and to continue development of the website that will be used to disseminate the forage forecasting information. Jay and the team also made presentations on the current status of the forage forecasting work, and the science behind the project, to the USAID Mission and to the Ministry of Agriculture and other projects working on

pastureland management. The Gobi Forage PHYGROW computer model is now running trial forecasts and during the remaining growing season the model will be checked against the actual conditions on the rangelands. The dissemination mechanism, and the training tools needed for the users of the information, will be developed during the second half of the year as soon as the forage forecasts are confirmed to be accurate.

- During the first six months of the year, the total sales generated by all GI clients have reached MNT 413 million (345,600 USD), against the annual goal of MNT 1.282 billion (USD 1,077,860), (most sales will occur in the second half of the year). A total of 119 program clients have applied for commercial loans totaling MNT 288 million (241,000 USD) to finance their business plans. There are still no delinquencies or defaults and 51 clients have repaid their loans in full.
- The RBN radio business program has been ranked 17th (out of 90 programs) in the most recent Mongol Radio survey. Only news and entertainment programs had a larger listening audience.

### **INTERMEDIATE RESULT 1.3-1 Increase in Number of New and Strengthened Businesses**

#### **Activity One: Business Plan Development**

During the quarter, an additional two herder business plans were developed and implementation of the plans has started. The two plans are for vegetable production in Saikhaan Ovoo soum of Dundgovi aimag; the vegetables that will be produced will be sold to Ivanhoe Mines in accordance with agreements signed in May.

Vegetable and fodder production is an important business diversification strategy for a number of this year's Gobi II clients. Forty one (41) herder groups and cooperatives are engaged in planting vegetables and fodder crops. During the spring months, a total of 195 hectares were planted with vegetables such as potatoes, carrots, turnips, cabbages, tomatoes and onions (55 Ha); and fodder crops such as oats, alfalfa and perennial grasses (140 Ha). Of the 140 Ha of fodder crops cultivated, one herder client, 'Aviat Aman Bulag' in Zuun Bayun Ulaan Soum, Uvurhangai, planted 95 Ha of oats in collaboration with the local aimag government. In the Gobi aimags, the program only supports and assists vegetable and fodder crop production activities in micro-regions where the climatic and soil conditions are truly suitable for the cultivation of vegetables and fodder crops. These conditions include (a) appropriate geographic/climatic locations such as the 'hangai' (mountain) regions of the (northern) Gobi aimags or small oases in the Gobi steppe region, (b) access to suitable water sources for irrigation, (c) soil fertility conditions that are appropriate for vegetable cultivation, and (d) the securing, by the GI client, of the correct legal paperwork from the soum government for lease/ownership of the land to be cultivated. During the next quarter, an international vegetable expert will work with the GI agriculture program officers to validate the program's strategy and to develop a policy and set of parameters for vegetable and fodder crop production in the Gobi and hangai regions of GI's six target aimags.

#### **Aviat Aman Bulag Cooperative, Uvurhangai Aimag - cultivation of oats for animal fodder.**

The business plan of 'Aviat Aman Bulag' cooperative was developed to cultivate 100 hectares of oats. GI met with the Governor of Uvurhangai, Mr. B. Erdenebilegt, to agree upon collaboration with respect to plans by the 'Aviat Aman Bulag' cooperative to cultivate fodder on 95 hectares of land. The aimag government has developed a four-year plan to establish fodder production on 1,000 hectares, with the goal of having more fodder available for herders within the aimag and for the state reserve. A Memorandum of Understanding was developed and signed between the three parties (GI, cooperative and aimag government) outlining the roles and responsibilities of each in ensuring the success of this initial undertaking. The cooperative sourced 16 tons of oat seeds from Ulaanbaatar in cooperation with the Swiss Development Cooperation funded 'Green-Gold Project'. The Food & Agriculture Department of Uvurhangai aimag covered the transport costs of these seeds and has also provided 100 poles and 5,040 meters of wire for the cooperative to fence the oat field. The cooperative has received a loan of MNT 9.8 million from XAC Bank to finance cultivation and sowing of the 95 hectares of land. GI has provided technical assistance to the cooperative members on appropriate soil cultivation and sowing of oat seeds. Further technical assistance will be provided during the growing season and when the oats are harvested.

Of the 162 herder clients who have developed business plans for CY2005, thirty-eight (38) are engaged in dairy production. With the arrival of spring and animals giving birth, the herder clients have started their dairy activities. GI program staff have implemented a series of training and technical assistance interventions for the herder clients focused on milk production and processing technology. With drought and poor pastureland conditions affecting parts of Uvurhangai, Dundgovi, Umnugovi and Govi-Altai, the aimag-based program officers are working with the affected herders to develop contingency plans and assist in finding alternative sources of feed and fodder for their animals.

**Oyut Partnership, Umnugovi Aimag - camel milk processing.**

'Oyut' Partnership located in Hanghongor soum has established 'Tsagaan Bulag' dairy processing and selling point in Dalanzadgad town, Umnugovi aimag. The dairy production shop is currently making 2,000 ice-cream cones, 100 small pots of yoghurt and 600 bottles of camel milk-based soft drinks per day. With the establishment of the milk processing and sale point, the partnership has created employment for ten members. The partnership members have started to milk eighty three (83) camels, the average milk yield per camel is 1.5 liters and the total milk that is being processed on a daily basis is 124.5 liters. The program has organized milk processing technology training and financial management and accounting training for the partnership members. The partnership has received a loan of MNT 1 million from Xac bank and purchased a freezer unit and a yoghurt packaging machine.

The spring months are traditionally the busiest for the veterinarians in the aimags, who provide vaccination and parasite control services to the herders. The nineteen (19) veterinary businesses that developed business plans with assistance from the program have been busy during the quarter providing services to the herding population. All of the veterinary businesses have received loans for the refurbishment of their veterinary clinics and for the purchase of veterinary drugs. The Ulaanbaatar-based program staff and Dr. Dan Schar, the Luce Scholar who has been working with Gobi Initiative since September 2004, have conducted two field monitoring trips to meet with the veterinarians and provide additional technical advice, as well as monitor the services being provided by the veterinarians. The main services provided have been vaccinations and deworming, which is appropriate work for the season. The government pays the veterinarians for the vaccination work and supplies the drugs used for vaccination and deworming for free. As yet the vets have not received payment for their services from the government budget, but they expect to receive payment in the fall. GI will monitor to see if payments are made as expected, as this will impact sales goals and income expectations, and thus loan repayment. All of the vets visited by program staff were confident that they would receive the government payments on time.

The program continues to use sales generated from new business activities outlined in the formal business plans developed under the project as an indicator of success. The sales target for the 162 herder groups and cooperatives who will receive assistance during 2005 is MNT 1,282,655,620. As of June 30 2005, sales of MNT 283,603,200 had been generated by 82 groups, in accordance with the plan. The majority of herder client business plans are seasonal in nature (vegetable/fodder/dairy/felt/meat) with production and sales occurring during the summer and fall months.

Table 1: Sales from the 162 herder groups/ cooperatives during the second quarter

<b>Aimag</b>	<b>Planned Sales Amount CY2005 from Business Plans (MNT)</b>	<b>Actual Total Sales Amount (MNT) (First quarter Jan - March)</b>	<b>Actual Total Sales Amount (MNT) (Second quarter April-June)</b>	<b>Actual Total Sales Amount (MNT) (First six months of CY2005)</b>
Umnugovi	232,061,200	13,945,800	48,123,150	62,068,950
Dundgovi	238,956,400	3,301,000	38,907,000	42,208,000
Uvurhangai	345,034,070	38,543,350	63,570,210	102,113,560
Govi-Altai	214,534,950	3,007,700	21,352,990	24,360,690
Bayanhongor	131,734,000	347,600	11,455,400	11,803,000
Govi-Sumber	120,335,000	5,257,000	35,792,000	41,049,000
<b>TOTAL</b>	<b>1,282,655,620</b>	<b>64,402,450</b>	<b>219,200,750</b>	<b>283,603,200</b>

Sales revenue targets and actuals through June 30 are included in Appendix 1.

### Business Planning for Non-herder Businesses

During the second quarter, the aimag-based business officers worked with 14 non-herder businesses to develop and complete their business plans. Table 2 provides details of the businesses that have completed their business plans and started with implementation of their plans.

Table 2: Businesses that have completed their business plans during the second quarter

#	Aimag	Business Name	Activity	Legal Status
1	BH	Naran Uul	Construction/Brick production	Cooperative
2	BH	Bayan Baidrag	Bakery	LLC
3	BH	Zun Bid	Pig Farming	Cooperative
4	DG	Ulzii-Dundgobi	Tourist Ger Camp	LLC
5	DG	Ugandalai	Mares Milk	LLC
6	GA	Arvin Dult	Compressed Fuel	LLC
7	GS	Lucky Dent	Dental Services	LLC
8	GS	Emeeliin Khishig Khond	Vegetable production	Partnership
9	GS	Ulzii Hogjil	Block production	LLC
10	UG	Mandal Goyol	Hairdresser/beautician	Partnership
11	UG	Gal Munkh	Construction and Carpentry	LLC
12	UH	TU-BA-SE	Tourist Ger Camp	LLC
13	UH	Tsark Hangai	Carpentry	LLC
14	UH	Itgel - UV	Bakery	LLC

During the month of June, the aimag-based business officers commenced selection of new non-herder business clients to work with during the second half of CY2005. To date, seven business plan proposals from potential clients (DG 3, GA 2, UG 2) have been identified and their business plans are currently being developed and reviewed by the UB-based program officers. Of the seven clients identified, one client is planning a poultry business to produce fresh eggs for sale at the aimag center, another is planning to process camel wool into woolen products and yarn, and the other five are all "quality-of-life" soum-based businesses - a bakery, two hotels, a hairdresser, and a tailor. During the remainder of the year, the program officers will continue to identify suitable clients, but with an increasing emphasis on agricultural-related businesses.

### Activity Two: Cooperative Formation and Development

Of the original 160 groups that developed final business plans, 90 were existing legally registered business entities (cooperatives, limited liability companies and partnerships) and the remaining 70 were herder groups. During this reporting period, a total of 19 herder groups became formal cooperatives/ partnerships, completing their registration with the government authorities (8 groups in BH, 4 groups in GA, 1 group in GS, 4 groups in DG, 1 group in UG and 1 group in UH). This was accomplished through assistance provided by GI aimag staff, in addition 24 organized training events covering essential cooperative-related topics, such as: cooperative management, structure and leadership, operations and marketing, record keeping and reporting, and taxation and regulatory compliance.

Table 3: Total Numbers of Herder Groups and Cooperatives/ Registered Businesses

	Bayanhongor	Dundgovi	Govi-Altai	Govi-Sumber	Umnugovi	Uvurhangai	Jan 2005	April 2005	July 2005
Total	30	28	28	11	29	34	160	160	162
Number of Co-ops / Registered Businesses	16	13	16	4	17	24	90	106	125
Number of Herder Groups	14	15	12	7	12	10	70	54	37

Since the beginning of Gobi Phase II in January 2004, Mercy Corps has assisted 61 herder groups to become formal legal entities.

### Activity Three: Agriculture Training and Technical Assistance

During the second quarter, a total of one hundred and forty five (145) training and technical assistance (TA) interventions were organized and implemented, with the strongest focus being on: cooperative development and formation; vegetable and fodder crop soil cultivation and preparation for planting; dairy milk processing technology; and financial management and accounting for herder cooperatives. During the first six months of 2005, the GI program has provided a total of two hundred and twenty (220) training and TA interventions to the herder clients. Table 4 provides a summary of all training and TA provided to the GI herder clients in the first six months of CY2005. As in Year One, the majority of these trainings and TA interventions were planned and implemented by the local aimag consultants and the aimag-based program officers.

Table 4: Summary of All Training and Technical Assistance Provided in the First Six Months of 2005

General classification of TA		Interventions Provided thru June 30, 2005	Provided by UB consultant	Provided by Aimag consultant	Provided by GI Program Officer
1	Financial management - accounting, record keeping and banking	28		26	2
2	Tourism operations - guest services, client / customer satisfaction	6	6		
3	Sales and marketing - market identification, pricing, product packaging and promotion	7	4	2	1
4	General management - budgeting, human resource management, legal and tax issues	0			
5	Animal breeding - selection, breed characteristics, herd/flock record keeping, artificial insemination	4	2	2	
6	Dairy milk processing - types of milk products, processing technology, use and maintenance of equipment	13	2	11	
7	Vegetable/crop production - soil preparation, seed certification, planting methods, diseases and pests, harvesting, storage and processing	42	1	41	
8	Felt making technology	6		6	
9	Fodder/forage production - soil preparation, selection of suitable crops, diseases and pests, harvesting, processing, storage (hay/silage)	18	1	17	
10	Cooperative development - management, structure, leadership, operations, marketing, record keeping and reporting, and regulatory compliance	54	1	39	14
11	Business start-up training - basic financial management, market research, sales methods, staff management, legal and tax issues	12		10	2
12	Veterinary training - modern pharmaceuticals, equine medicine and surgery, parasite control, zoonotic diseases, animal food hygiene and health	7	5	2	
13	Specialized technical assistance - compressed fuel blocks, well repair, fuel operations, etc	7	2	5	
14	Bakery/food processing - equipment identification, sourcing and maintenance, new product development	4		4	
15	"Buryat" boot/felt boot making - design, use of new materials, stitching, decoration	3	1	2	
16	Livestock production - livestock intensification under Gobi conditions, design of livestock barns, feeding supplements, grazing rotations for fenced pasture.	3	2		1
17	Meat processing technology	1	1		
18	Business plan development	3			3
19	Camel wool sorting, combing, spinning and knitting	1	1		
20	Chicken farming	1		1	
	<b>Total</b>	<b>220</b>	<b>29</b>	<b>168</b>	<b>23</b>

The UB-based agriculture officer in cooperation with the aimag officers collected thirty four (34) soil samples from the fields of the herder clients that are engaged in vegetable and fodder crop production. The soil samples were analyzed at the Institute of Geography, Mongolian Academy of Science. The results from the soil samples were returned to the respective herders with copies also provided to the local aimag-based vegetable consultants. The aimag-based consultants have been working with the herders to help them improve their soil fertility based on the information contained in the results of the soil samples.

During the quarter there were no requests for 'refresher courses'. As described in the Annual Work Plan, these courses are offered by the program if there is a strong client demand for the training, and provided that the participants are willing to cover the full costs of the course.

#### **Activity Four: Acquiring Critical Inputs**

During this quarter, GI facilitated the participation of seventy-two (72) herders in the 'Farm Mechanization 2005' trade fair organized by the Ministries of Food and Agriculture and Trade and Industry. The trade fair took place between the 20th and 22nd of April in Ulaanbaatar, providing the opportunity for agricultural machinery and equipment suppliers and other businesses involved in the agricultural sector to display their products and to provide information regarding the services offered by companies working in this sector of the economy. The 72 herders were all master herders or members of the groups/cooperatives with which GI is working under Gobi II. The trade fair provided the herders with the opportunity to see examples of the equipment that they plan to purchase, to discuss technical aspects with exhibitors, and to collect price information on the machinery and equipment available in-country. The trade fair provided the herders with a chance to meet other herders from different aimags and share experiences and discuss the challenges faced in their diversification activities.

The GI Program Officers continue to provide the herder clients with assistance and advice to identify and purchase the equipment that is appropriate for their businesses. In the first six months of 2005, one hundred (100) herder clients purchased the equipment as identified in their business plans with assistance from the GI Program Officers (GA - 28 clients, UG - 24 clients, DG - 8 clients, GS - 11 clients, UH - 7 clients, BH - 22 clients). The purchased machinery includes soil cultivation equipment, small tractors, seeds and fertilizers, veterinary medicines and equipment, dairy milk processing equipment (including milk separators and ice cream machines), and construction materials for animal shelters and greenhouses. The total value of the equipment purchased was approximately MNT 104.2 million. Most of these equipment purchases were financed through loans obtained by the respective herder businesses.

As part of the program's technical assistance, the aimag-based program officers have provided loan facilitation assistance to those herder groups/cooperatives with approved business plans. In this second quarter, a total of 76 herder businesses and one non-herder business received loans totaling MNT 187.7 million (USD 157,700), bringing the year-to-date total of loan recipients to 123 businesses and MNT 323.0 million (USD 271,100). Mercy Corps provided a total of MNT 135.8 million (USD 114,000) as additional cash collateral during the quarter through the USDA-funded loan guarantee program component; the year-to-date total is MNT 247.6 million (USD 208,000).

Since the beginning of Gobi II, Mercy Corps has assisted 171 businesses to obtain commercial financing of MNT 437,589,000, of which MNT 339,953,100 has been guaranteed through the USDA-funded 'Rural Agribusiness Support Program'.

#### **Aimag State Veterinary Laboratories**

During the second quarter, GI has been collaborating with Dr. Sodnomdarjaa's office at the State Central Veterinary Laboratory (SCVL) to plan for required infrastructure renovations and equipment purchases and to prepare for the veterinary laboratory trainings. On-site visits were made by GI staff to the Aimag Veterinary Laboratories (AVL) in Uvurhangai, Umnugovi and Dundgovi, and meetings were held with the veterinary laboratory directors to gain further insight into the infrastructure needs of these laboratories. A building engineer is currently verifying the infrastructure budgets and work plans. The tender for all infrastructure work, selection of the local contractors, and completion of all work will take place throughout the third quarter (note: this renovation work is being funded under the USDA program). Equipment has

been identified by catalog number from three laboratory supply companies, and efforts are currently being made to ensure that the selected equipment meets USAID requirements related to "source and origin". Waivers will be submitted to USAID/Mongolia for all items that can not meet these requirements. All equipment will be purchased with delivery expected prior to the training scheduled for fall 2005. The Memorandums of Understanding have been signed by the SCVL and AVLs and a scope of work for the SCVL drafted to clarify roles in implementation of the training curriculum. The curriculum outline has been approved, and materials for the training will be reviewed in the third quarter, with training dates set in October. The scope of work for a foreign consultant to conduct trainings in epidemiology has been drafted and GI is currently seeking a suitable candidate. All other trainers have been identified in-country. An on-site visit to the AVLs for follow up training on use of equipment will take place in the fourth quarter.

### Activity Five: Long-Term Technical Assistance

GI has finalized the selection of 20 non-herder businesses that will receive long-term technical assistance this year. The selection criteria remained the same as in Year One. As described in Activity One, the first intervention for all selected businesses has been assistance with development of solid business plans. All twenty (20) businesses selected have now completed their business plans with GI assistance and have started implementation. Of these 20 businesses, twelve (12) have received loans for investment in equipment and working capital.

In addition to support for business plan development, GI has provided the selected businesses with targeted support. A total of ten training and TA interventions were provided to the non-herder business clients. Table 6 contains the details of the assistance provided.

Table 5: Long-Term technical assistance provided to Non-Herder Businesses during the second quarter

No	Aimag	Business name	Technical Assistance topic(s)	Consultant	MNT and % consultant fee cost share
1	UH	Tsarskhangai LLC	Financial Management	Enkhtuul (UB)	30,000 / 39%
2	GS	Emeeliyn Khishig Khond Partnership	Agro-technology: veg. cultivation including soil preparation, irrigation systems and weed control measures	Byatsgandai (UB)	30,000 / 39%
3	DG	TEBBE LLC	Market Research	Bilegsaikhan (UB)	15,000 / 39%
4	DG	Uugandalai LLC, Ulzii Dundgovi LLC	Marketing and Advertising	Tsolmonkhuu (UB)	30,000 / 42%
5	GS	Ulzii Khugjil LLC	Concrete Block Production Technology	Battuvshin (UB)	15,000 / 20%
6	UH	Tu-Ba-Se LLC	Food Service Technology	Gankhuyag (UB)	45,000 / 39%
7	UH	Suun Dalai LLC	Human Resource Management	Byambaa (aimag)	15,000 / 50%
8	BH	Garin Bayanbaidrag LLC, Gurvan Ekht Coop, Nasan Khishig Partnership	Bread and Pastry Technology	Batsaikhan (UB)	No cost share <sup>1</sup>
9	UH	Itgel Uv LLC	Installation/use of modern bakery equipment.	Batsaikhan (UB)	30,000 / 39%
10	UH	Tsars Khangai LLC	Installation/use of modern carpentry equipment. Modern techniques and designs.	Munkhsukh (UB)	30,000 / 39%

<sup>1</sup> These three BH bakery businesses visited UH aimag to share experiences with Itgel Uv LLC. The exchange visit occurred at the same time as Itgel UV received TA from Mr. Batsaikhan. As there was no direct training these businesses did not pay any cost share.

### Activity Six: Short-Term Technical Assistance

During the quarter a number of requests were received from non-herder businesses for specific short-term technical assistance. A total of six activities were organized by the program officers, with seventeen (17) businesses receiving assistance. In all activities the businesses contributed towards the cost of the activity.

Table 6: Short-Term technical assistance provided to Non-Herder Businesses

No	Aimag	Client name(s)	Technical Assistance topic(s)	Consultant	MNT and % consultant fee cost share
1	GA	Byart Olon LLC	Finance and Accounting	Enkhjargal (aimag)	15,000 / 50%
2	UH	10 small/medium aimag businesses	Business Plan Development	Nergui (aimag)	50,000 total; 100% of fee
3	GS	Amardalai LLC	Retail marketing & Sales concept development	Myagmarjav (UB)	15,000 / 39%
4	BH	Bi-Enkhtuguldur LLC, Ganbol LLC, Manaspetroleum LLC	Business Relations - Customer Service Management	Dalaidorj (UB)	45,000 / 39%
5	DG	TechNoj LLC	CIT - networks design	Travis, Peace Corps Volunteer based in DG office	No payment as this training was provided by the Peace Corps volunteer
6	BH	Sharjaljuut Health Spa and Sanatorium, Mongol Hishig Co-op; Tserendsam LLC	Food Service Technology	Selenge (UB)	45,000 / 39%

### Activity Seven: Local Capacity Building for Training and Technical Assistance

The program continues to concentrate efforts on improving and developing the skills and technical knowledge of the aimag-based consultants and program staff that provide training and technical assistance to program clients. During the quarter, a "training of trainers" session was held in UB to improve the ability of both UB and local consultants to provide training and technical assistance in 'dairy farm management' and 'dairy food processing'. In cooperation with the Agriculture University, a total of twenty-eight (28) people participated in the training event, including both aimag-based consultants and Gobi Initiative agriculture program officers. The participants were taught skills related to developing and managing a small dairy production and/or processing enterprise (e.g. market research, site selection, calving and difficult births, calf feeding and rearing, pasture management, prevention of zoonotic diseases, use of modern equipment for dairy production). Protecting the quality and safety of the produce was an integral theme within the training. The training involved four 'classroom' days, a one-day field trip to a model dairy production unit, and two days in a laboratory/dairy processing environment learning how to produce dairy goods such as cream, butter, yoghurt and ice cream.

In May, the Ulaanbaatar-based technical support unit organized a three day training session on the methodology and tools needed to conduct market research and the use of the research findings in future development of business plans. Additionally, the training provided advice on how to market rural products. A total of fourteen program officers participated in the training, including the aimag-based Business Officers and the Information and Marketing Officers. The training provided staff with the skills needed to better assist GI clients in researching their markets and in improving the marketing section of future business plans.

A scope of work has been finalized for an international consultant to assist the GI program officers to improve the vegetable and fodder crop production activities of the herder groups/cooperatives. The scope of work focuses primarily on new technology and appropriate methods for cultivating vegetable and fodder crops in arid/dry regions, including improving soil fertility and the use of water harvesting and irrigation

systems adapted to such regions. The consultant has been identified and will arrive in-country in late July, staying for a total of six weeks. The consultant will travel to Bayanhongor, Uvurhangai, Dundgovi and Umnugovi aimags to work with the herder clients that are cultivating vegetable and fodder crops. The Program Officers are currently finalizing the itineraries and travel agendas for the consultant.

As part of ongoing efforts to monitor and evaluate the technical knowledge and the training/consulting skills of aimag-based consultants (including staff) more effectively, the Ulaanbaatar-based program officers have continued the local consultant 'certification' process. This process evaluates the consultants on both their technical knowledge and their skills as a trainer. During the quarter, a total of twenty-one (21) local aimag consultants were assessed by UB-based professionals; of the twenty-one consultants assessed, eighteen (18) obtained an 'excellent' or 'good' rating, two (2) obtained an 'OK' rating and one (1) was not certified. The UB-based professionals who conduct the assessment are selected by the UB-based program officers against the following criteria: their specific technical knowledge and area of expertise, personal work experience providing training and technical assistance in the field, past experience providing technical assistance to GI clients on behalf of the program, and good feedback reports from the aimag-based staff on the skills and technical knowledge of the UB-based professional. To date this year, a total of twenty-eight (28) aimag-based consultants have been certified by the program. Appendix 2 provides the details of the consultants, their respective areas of expertise, and their certification status. The aimag-based consultants that received an 'excellent', 'good' or 'very good' rating and have been 'certified' by the program will be regularly hired to provide training and technical assistance to program clients. The consultants that received an 'OK' rating will receive additional training through the GI program to improve their skills and knowledge, after which they will be re-evaluated. These training activities will be planned and implemented during the second half of the year. The 'certifying' process will continue to be implemented in the aimags until all local aimag-based technical providers have been assessed.

During the quarter, the program did not identify any local 'counterparts' to be paired with the Ulaanbaatar experts. This was primarily due to the work being done with the 'certification' of aimag consultants which provided a good opportunity for the UB experts to share their knowledge with the consultants they were assessing. The UB office continues to work closely with the aimag program officers to improve their understanding of the rationale behind local provider assessment, and to ensure that the most qualified providers are selected, in terms of both technical knowledge and ability to transfer that knowledge.

The Ulaanbaatar-based technical support unit developed a comprehensive monitoring and evaluation package for all training and technical assistance interventions. The package contains three forms, each to be completed by a different party - one for the consultant, one for the client, and one for the GI program officer supervising the training/TA. Examples of the forms are attached as Appendix 3. The three forms have been distributed to all aimag offices and are now being completed for all training/TA interventions. The forms enable staff to document, in a standardized format, the training and technical assistance provided and to evaluate the quality of the assistance, both in terms of technical content and whether the technical assistance provided truly meets the needs of the program clients.

### **Activity Eight: Market Development**

In cooperation with the USDA-funded RASP dairy project officer, two business plans that, when combined, provide a coordinated framework for the development of an improved 'milk market' in Govi-Altai have been finalized. One plan covers the dairy market facility and the other the milk testing operation. The development of the plans involved substantial consultation with all stakeholders, including the soum government, the local professional inspection agency, the local department of food and agriculture, the two private enterprises, and the MC office. Two small grants for infrastructure improvement were disbursed (USDA-funded) and it is expected that the first sales through the new facility will begin early in the next quarter, just before the peak milk sales period. Similarly, a business plan for improvement of the dairy market in Bayanhongor is nearing finalization, and implementation will begin in the next quarter.

These plans present an innovative approach to improving the efficiency of the marketing system that provides the essential linkage between the herders producing the milk and the consumers that are the end users, as well as improving the hygiene and safety of the final consumer products. Slightly different approaches have been taken with respect to the Govi-Altai and Bayanhongor markets in terms of

organizational structure (ownership and incentives), value-added services incorporated, division of milk testing responsibilities, and the structure for certifying the products and auditing the certification process. Given the number of stakeholders involved in fully moving these efforts toward completion, it is anticipated that considerable time and effort will still be required. Careful monitoring will be essential to ensure both that remedial adjustments are made in the event that problems emerge, and that learning from observation of the effectiveness of the slightly different approaches is maximized so that the right model(s) can be scaled-up in later stages of the program.

The Ulaanbaatar-based program officers have held a series of meetings with Ivanhoe Mines to coordinate and finalize the sale of fresh vegetables that will be cultivated by program clients during the 2005 growing season. Procurement lists containing the types and volume of fresh vegetables required on a monthly basis have been finalized and the agriculture officers in Umnugovi, Dundgovi, and Uvurhangai have consolidated the vegetable production plans by the herder groups in these aimags. Formal agreements for vegetable supply to Ivanhoe Mines have been concluded and the first vegetables are due to be supplied on the 20th of July. The GI Program officers met with the procurement department of Ivanhoe Mines to continue further discussions and to identify other market opportunities for GI clients. In the following quarter, Gal Munkh LLC, a carpentry business in Dalanzadgad, will deliver a catalogue of its wooden furniture products to the procurement department, and the agriculture program officers are exploring the possibility of supplying fresh dairy curds produced by the GI herder clients.

In Govi-Altai, GI staff met with the Chinese construction firm building the Ulaanboom hydroelectric dam in Tashir soum. The construction site currently has a work force of 270, but this will increase to over 700 during the peak construction period. The purpose of the initial meeting was to introduce the GI program and to discuss the firm's interest in procuring fresh vegetables, meat and dairy products. The Govi-Altai office has since provided the firm with a list of potential products that could be supplied by GI clients and the prices. Follow up meetings will be held in the third quarter of the year, and the program officers hope to conclude agreements with the construction firm in the fall when the majority of herder clients will have products for sale.

The aimag offices are continuing their planning for the annual trade fairs. Final dates for the trade fairs have been set by each aimag as follows:

- Umnugovi - September 2-3
- Bayanhongor - September 17-18
- Govi-Sumber - September 15
- Govi-Altai - September 15-16
- Dundgovi - September 17-18
- Uvurhangai - September 23-25.

Ivanhoe Mines is providing sponsorship funding of MNT 1.0 million (835 USD) and BHP Billiton Mongolia is providing MNT 500,000 (420 USD) for the "Gobi Festival" event in Umnugovi. These trade fairs will not only be commercial in nature, providing a platform for program clients and aimag businesses to sell and promote their products, but will also involve traditional festival and cultural events. The aimag offices are continuing their discussions with various local NGOs, associations, large private businesses and aimag government departments on organization and joint funding/sponsorship of the respective trade fairs.

In early June, GI sourced twenty (20) kilograms of top quality washed and dehaired Mongolian cashmere for Patagonia as part of its (Patagonia's) efforts to upgrade the 2006 product line. The 20 kg test sample was sent to the Hong Kong spinner/knitter. In July, Patagonia confirmed that the test sample had met their specifications and requested a further three (3) kilograms for color testing. The challenge moving forward is to make the numbers work financially and to secure a regular supply of the cashmere, in preparation for establishing a permanent link between in-country producers and interim processors (washing/dehairing) and the spinner/knitter in Hong Kong. This is an exciting step forward which could effectively validate the project's defined strategy of being fully "demand-driven" as opposed to "supply-side" oriented (a basic flaw of the original Gobi I project design).

The aimag-based business officers, with support from the UB-based business officer, have developed a comprehensive market research action plan that will be implemented during the second half of the year. The

findings from the research will provide current and future GI clients with information on potential market opportunities in the bakery, meat, dairy and vegetable markets within each aimag. The research plan involves development of research tools and surveys, testing of the research tools, conducting the research, and subsequent documentation and analysis of findings.

#### **Activity Nine: Local Capacity for Advocacy**

During this reporting period, no significant activities were implemented towards building local capacity for advocacy.

#### **Activity Ten: Local Government Support for Business**

The aimag Program Officers have conducted a number of training sessions for both aimag and soum level government staff with the objective of fostering effective dialogue between the private sector and local government. Three business start-up and business planning training events were held in Dundgovi, Umnugovi and Govi-Altai for soum officials. A total of one hundred and twenty five (125) soum government officials participated in the three training events, gaining skills in basic business planning, market research and financial planning.

In order to increase support for local businesses by local government officers, the Dundgovi aimag staff organized a 1.5-day training session covering the basics of operating a business and developing a business plan. The training was attended by 22 staff from the Governor's Office and other government departments in Ulziit soum. The training focused on the basics of business: generating a business idea, registering a business, basic marketing skills, and several "how to's" - conducting market research and writing business plans. The participants also discussed potential economically-viable business ideas that could be developed at the soum level. Putting theory into practice, each of four small working groups selected a business idea and developed a comprehensive business plan. The business ideas selected were compressed fuel production, bagh postal service, dairy milk processing, and auto repair. Government officials who participated in the training were able to fully understand the complexities of establishing and running a business and the role that government plays in helping residents to establish businesses.

Local governments continue to provide assistance and support to the program clients. The most recent examples include:

- 'Galmichid' a felt producer cooperative in Dundgovi, has been provided with a building to establish a felt production facility by the Luus soum government
- The Govi-Sumber aimag government has issued land permits to four GI clients for their vegetable and crop production activities and funded the cost of a new well for the 'Bishret Sumber' cooperative that is beginning dairy production
- The Food and Agriculture department of Uvurhangai aimag supplied 500 kg of fodder plant seeds to five GI supported cooperatives at a discount price
- With support from the respective aimag governors, the 'Mazar Bayanhangai' cooperative in Tugrug soum, Uvurhangai, purchased irrigation equipment and two GI-supported cooperatives in Bayanhongor purchased small tractors at a discount price through the Ministry of Food and Agriculture's equipment supply scheme

In May, the Bayanhongor GI office and the Aimag Governor's office co-organized a conference geared toward creating a forum for local businesses, herders, bank representatives and government officials to discuss and identify ways of overcoming problems and constraints faced by small businesses in the aimag. The conference was attended by over one hundred and eighty (180) people representing businesses from twenty (20) soums, the representatives from the Bayanhongor branch offices of XAC Bank, Khaan Bank, Mongolpost Bank, and the Capmon financial organization. The participants in the forum identified a number of constraints facing small and medium businesses in the aimag, including a lack of information on government policies related to registration of businesses, the general bureaucracy in the local government, infrastructure improvement needs, a lack of clarity concerning tax regulations and reporting requirements for small and medium businesses, and the need for greater support for annual trade/market fairs. MP G. Zandanshaatar attended the forum and shared his ideas with businessmen and answered their questions.

## **INTERMEDIATE RESULT 1.3-2 Increase in Availability, Access to and Use of Information**

### **Activity One: Business Information**

#### **CRSP Forage Forecasting.**

During the quarter, 'Gobi Forage' completed development of the English-language web site for providing forage forecasting information. The PHYGROW computer model is currently functioning as planned, producing forecast information every fourteen days. The web site still needs to be translated into Mongolian, but this will be done only once the computer modeling system has been validated by reconciling it to the actual 'on-the-ground' forage situation in the field. At that time the web-site will also be made available for public access.

Mr Jay Angerer from Texas A&M University spent three weeks in Mongolia during the month of May to (a) provide further training to the Gobi Forage project officers on the use of the GPS units and the hand-held PDA computers, (b) develop sampling protocols for the monitoring and verification sites, and (c) enter all field data in the computer databases following the field visits. Two Program Officers from the Uvurhangai office also participated in the training in order to improve their understanding of the Gobi Forage project and to develop some of the skills required to fully implement the activity in the field, particularly related to the forecast dissemination component.

Mr Angerer also made separate presentations on the Gobi Forage project and the technology of the forage forecasting computer modeling to USAID/Mongolia, the Ministry of Agriculture, as well as other projects involved in rangeland management and pasture use. Mr Angerer and other scientists from Texas A&M will return to Mongolia in August to continue training efforts and to undertake further field trips to gather data for the forage forecasting model.

During the reporting period, the Gobi Forage team completed four field trips covering Uvurhangai, Bayanhongor, Dundgovi, Umnugovi and Govi-Sumber. During the field trips, standard field data was collected for the PHYGROW computer models in the continuing effort to validate the computer model. During the remainder of the year, the project will expand field work in Dundgovi, Umnugovi and Govi-Sumber (the new aimags). Appendix 4 contains a map of the forage monitoring sites in the six aimags.

The next steps for the project also include (a) continued verification of the model and the mapping products, (b) fine tuning of the computer model with adjustments based on the verification data, (c) efforts to improve livestock stocking rate information, (d) assessments of the accuracy of the satellite rainfall data, and (e) development of the outreach materials for dissemination of maps and other outputs.

In June, the Mongolian and Texas A&M scientists working on the Gobi Forage project participated in the International Grasslands Congress held in Dublin, Ireland. At the Congress, the scientists presented posters on the work of Gobi Forage, using the opportunity to increase the profile of the project at an international conference. There was much interest from scientists from the Central Asian countries on the technology and its application to commercial livestock production.

#### **Production and Dissemination of RBN Mongolian Magazine**

In the second quarter, 8,700 rural herding and non-herding business operators in Mongolia continued to receive business information through access to the Rural Business News magazine.

RBN continues to provide comprehensive business-education stories, business and agricultural tips, best practices and other relevant topics as part of ongoing efforts to deliver timely, educational, practical and thought-provoking information. Feedback indicated that many readers are effectively using the information, an example being Ms. J. Narmandah from Govi-Altai's Yusunbulag soum, who started selling 40 liters of fresh milk at the aimag market after learning the proper way to collect and store the milk, and to transport it from her ger to the aimag center, a distance of 25 km. With better control over the quality of the product, she started earning a higher income.

During the reporting period, RBN's lead topics covered business education, community-based tourism and local production, and market development. The 'Business Corner' tips focused on small-business marketing and developing business ideas, and herders were made aware of summer pasture management, veterinary services, and spring herding tips. A herder from Govi-Sumber, Mr. S. Batkhuyag, found the information concerning proper care for small animals during the spring months particularly useful. He has begun sharing this information with his neighbors.

Numerous other articles were published in RBN, including, but not limited to, local market development, best business practices, selecting appropriate business types, preventing livestock diseases, managing household and business incomes, selecting proper machinery, running a tourism business, customer service, farming and marketing.

RBN inserts for the quarter included materials from the public food safety campaign, including information concerning prevention of common milk borne diseases such as brucellosis. Many readers responded positively to the 'brucellosis' page in particular, confirming the continuing interest of readers about family (and animal) health issues.

The regional pages continued to present best practices and success stories of rural businesses, as well as ways to enhance small business operations and generate new business ideas. In total, 18 stories highlighting successful rural businesses appeared in RBN in the second quarter. A successful entrepreneur from Umnugovi, Mr. L. Tsoodol, has noticed that the stories have been particularly valuable for younger herders, whom he feels are struggling to come up with good business ideas.

The 'Technical Insert' pages, which focus on a specific topic every month, provided information on veterinary services, land and pasture management issues and practices related to storage and transportation of milk/dairy products. A range of promotional activities for subscriptions was held, resulting in a total readership of 8700 per month (average) for the quarter. These activities were carried out through local marketing outlets, with cross-promotion by RBN media outlets.

Cooperation with rural media continued, as evidenced by the appearance of RBN stories in local newspapers - 'Uvurhangai Life' and 'Bayanhongor News'.

### **Production and Broadcast of RBN Weekly Radio Programming**

During the quarter, Pact aired an average of 900 minutes of radio programs each month, reaching more than 120,000 Gobi listeners. Programs were similar to the previous period, with established brands like 'Market Watch', 'Weather Watch', 'Learning Agribusiness', 'Business Mirror' and 'Feature Success Stories', being broadcast. The second quarter coincided with the annual cashmere combing and crop planting seasons. Select radio programming ('Business Tips' and 'Success Stories') focused on these two areas, along with the regular 'Market Watch' segment. A herder from Govi-Sumber's Bayantal soum, Mr. Dashdulam, used commodity price information to help him decide which crops to grow this season.

Renowned business and agricultural experts were invited to contribute to the daily radio programs, and all provided valuable tips related to business, farming and dairy production. The program format included a mix of live sound bytes and studio recording. A sample radio program is attached as Appendix 5.

### **Herder from the Future Radio Drama (25 programs)**

In the second quarter, Pact continued working on the planning and scripting of the CY2005 series of 'Herder from the Future' (HFF). HFF topics were identified by consulting with GI clients and staff and were then passed on to the scriptwriter after input from Pact management. External consultants were engaged to provide the writer with additional input. The specifically identified topics included financial management (budgeting, forecasting, accounting, banking and reporting), marketing tips (identifying potential markets, research and planning, pricing and promotion), and issues related to cooperative development (cooperative governance, member-driven management and succession planning).

Having developed the content with input from business operators, GI staff and radio listeners, Pact will continue to work on the production of the series, which will be aired in the second half of the year.

### **Production and Dissemination of Market Watch**

'Market Watch' continues to provide demand-driven price information. Pact, using its nationwide 'Market Watch' network, gathers highly-valued commodity price information and disseminates it to GI clients and other herding and non-herding businesses throughout the country. During the cashmere season this quarter, an increased focus was placed on the timely dissemination of cashmere prices, including information related to supply, quality pricing variations, regional differences, and overall sector trends. During the spring soil cultivation period and the sowing of vegetable and fodder crops, 'Market Watch' provided price information on agricultural machinery (small tractors, irrigation equipment, soil cultivation tools, etc), seeds, and other agricultural inputs.

The RBN-509 SMS service continued operating during the period, with an average of 850 hits per month. Many rural business operators (mainly aimag-center based) use the information for decision-making, including Mr. Togtokhbayar from Umnugovi, who checked RBN-509 before purchasing raw materials.

The 'Market Watch' radio program included 44 different commodity prices, with an emphasis on raw materials, as herders were actively involved with meat, skins/hides and cashmere sales during the quarter. Pact also provided an exclusive program on animal pharmacy and veterinary service prices.

The RBN magazine continued to offer a 'Market Watch' insert, highlighting cashmere and skins/hides, meat, and other raw material prices. The insert also included analyses and details on the factors influencing price fluctuations and forecasts. 'Market Watch' continued broadcasting a twice-monthly TV program on Mongol National TV. Pact/RBN journalists regularly anchored the program, which provides important price summary information to viewers. Govi-Sumber herders said that they regularly watched the 'Business News' program and wanted it to continue in the future.

Overall, 'Market Watch' continues to provide herders and non-herding business operators with information enabling them to make decisions about which markets to access and at which prices to sell their products, thus meeting its objective of helping to eliminate regional price differentials which were formerly a barrier for effective business operation in the countryside.

### **RBN Website**

Pact has continued to regularly update the RBN website ([www.rbn.mn](http://www.rbn.mn)). The website pulled together all rural business news reported elsewhere as part of RBN services and products, targeting primarily rural businesspeople residing in Gobi aimags who have access to the internet.

### **Production and Broadcast of RBN TV Programming**

Pact produced six prime-time television programs from April through the end of June. These 10 to 12-minute programs, focusing on best business practices and promotion of rural business, were aired nationally on Mongol TV. The overall scripting and direction of the programs was carried out under the supervision of Pact staff. Mr. Sumiyadorj from Dundgovi's Saintsagaan soum said he liked the programs, taking particular notice of the value of business planning.

The business operators and cooperatives that were featured on the programs included the 'Navtgar Khairkahn' and 'Mts Enkh' cooperatives from Bayanhongor and the 'Uguuj Chandmani' cooperative and 'Suun Dala' company in Uvurhangai. Most business information broadcast by Mongol TV focuses on large-scale, primarily UB-domiciled corporate business, thus the RBN program is exceptional. The program retains its practical theme in order to engage in a very tangible way with its target audience of rural small and medium-sized herding and non-herding businesses.

From April to the end of June, Pact began pre-production and scripting of the 26-episode TV drama series – 'The Endless Labyrinth'. The story line and general topics were outlined with the resulting script shared with USAID/Mongolia. Broadcast negotiations with Mongol TV were concluded and the series is currently being filmed and edited.

The drama, using an entertainment format to draw viewers, is aimed at disseminating information on business problem-solving skills and practical "real-life" methods of rural business management in a market

economy. The series will also have a democracy and governance crosscutting theme. With a focus on aimag and soum-based non-herding businesses, the drama will look at ways in which business is initiated, operated and ultimately made successful. Using an education-entertainment model, the drama is expected to attract a large audience. Pact is striving to produce a program that will allow people to acquire knowledge and gain skills relevant to rural business development while at the same time provide prime-time entertainment that is highly educational and relevant to Mongolia.

Pact's PISA method of rapid assessment was also conducted and the results of the feedback and the impact assessment are provided in Appendix 6, attached to this report.

### **Activity Two: Local Capacity for Information Dissemination and Communication**

During this reporting period, no significant activities were implemented towards building local capacity for information dissemination and communication.

## **COLLABORATION WITH GOVERNMENT OF MONGOLIA AND OTHER PROJECTS**

In its continuing efforts to coordinate with national-level Government of Mongolia ministries, Mercy Corps presented the work of the Gobi Initiative at a Ministry of Agriculture-sponsored conference for donor projects held in Ulaanbaatar in June. There is some continuing disagreement over the term "coordination", with the Ministry of Agriculture seeming to define it as "program approval and direction", and Mercy Corps and USAID using its more literal definition - "a sharing of program methodology, activities and results on a technical level". GI continues to participate in such technical-level meetings, including a recent one held on forage forecasting. As part of its ongoing information-sharing efforts, Mercy Corps/Mongolia submits a detailed Annual Report on all of its activities to interested parties, including the Government of Mongolia. The 2004 Annual Report was submitted in March 2005 to the Ministries of Food and Agriculture, Trade and Industry, and Finance, and to the Mongolian Embassy in Washington DC. Collaboration with aimag governments is occurring on a regular basis.

Two staff members of the Millennium Challenge Corporation visited the GI program in Dundgovi and Uvurhangai aimag in April. The field trip presented an opportunity for MCC staff to obtain firsthand knowledge concerning business and other development issues facing rural communities.

The GI Umnugovi office participated in a business forum organized by the 'Women for Social Progress' NGO. The forum, which included 120 participants from local government, NGOs, and the business community, provided an opportunity to discuss the business environment in Umnugovi and government policies towards establishing and operating businesses. Participants were critical of the current business environment, citing 'red tape', corruption, and a poor understanding of business laws and regulations by government officials.

The dairy food safety campaign implemented in cooperation with the USDA-funded RASP program was timed to coincide with the beginning of the 'milk season' when hygiene problems related to production and marketing of milk products increase and consumers are most at risk. The campaign was launched this quarter in four program aimags - Uvurhangai, Arhangai, Bayanhongor and Govi-Altai. The launch involved the distribution of posters, informative brochures, stickers, and calendars, as well as the airing of TV and radio programs during prime time hours, on both national and local stations. The target audience included the various contributors to, and sufferers of, dairy food-related illnesses (including herders and intermediaries but with a major focus on final consumers). The primary messages included always (a) washing your hands before preparing or eating food, (b) asking milk vendors to see the milk testing certificates, and (c) using containers that have been thoroughly cleaned with hot water and disinfectant before storing or transporting milk. As part of efforts to assess the results of the campaign, aimag program officers are currently conducting a series of interviews and distributing questionnaires to a cross-section of the population that includes herders, consumers, veterinarians, health workers and dairy market vendors.

In June, two round table discussions were organized in cooperation with the UNDP Sustainable Grassland Management Project. The discussions involved fifty producers, processors, consumers and consultants in

the dairy and felt sectors in Uvurhangai and Bayanhongor aimags. The main objective of the two meetings was to provide an understanding of the requirements of the different stakeholders in the dairy and felt market chains and to offer the participants an opportunity to establish business relationships. Technical training was also provided to the participants on the subjects of milk and felt processing.

In May and June, the Umnugovi office organized, with financial support from Ivanhoe Mines, training sessions on (a) pastureland management and the cultivation of fodder crops, and (b) cashmere combing and classifying, for the eleven herder families that were relocated from the Oyu Tolgoi mining site. Mercy Corps has also held several meetings with Ivanhoe management to discuss further opportunities for collaboration with the specific objective of linking Gobi region suppliers to the Mine. Potential opportunities identified for further discussion are the supply of dairy products such as curds, transportation services within the aimag, and the establishment of small tailoring workshops in neighboring soums to provide uniforms and other goods to Oyu Tolgoi.

The Ulaanbaatar-based program officers have been collaborating with a number of organizations that are working in community-based tourism activities. The organizations include GTZ, UNDP, VSO, WWF and the Hustai National Park. The group has been meeting on a monthly basis to cooperate on marketing efforts and the promotion of small herder-based ger camps. A logo has been developed as a brand for the small ger camps and tour providers to use in their marketing campaigns. The group has held discussions with the USAID-funded 'Tourist Information Centers' to promote the businesses through displaying posters and brochures at the centers. The group has also been working on standardizing training modules (customer service, restaurant and food facilities management, health and safety working conditions, etc) and with the trainers selected to implement the modules. On the advocacy side, the group has been meeting regularly with the Ministry of Tourism, providing advice and assistance to the Ministry as it develops government policies and standards for herder-operated ger camps.

The Dundgovi office, in collaboration with the 'Dundgovi Youth' NGO, has continued co-implementation of a small business development project for young entrepreneurs, funded by private donors of Mercy Corps. Ten young entrepreneurs are currently implementing various "start-up" business plans. Total sales for these ten small businesses for the first six months of the year are MNT 3.7 million. GI staff are assisting the 'Dundgovi Youth' NGO to become proficient at monitoring project implementation and managing finances. One young entrepreneur, Mr. Davaasuren, established a chicken farm in Mandalgovi and is selling fresh eggs. The business has become very successful within a short period of time. A three-part interview series with Davaasuren is being carried on the Mercy Corps/Mongolia website - [www.mercycorps.org.mn](http://www.mercycorps.org.mn).

## **PROGRAM/FINANCIAL MANAGEMENT**

During the quarter, a cooperative development officer was recruited for the Ulaanbaatar office. The primary tasks for the new officer will be to undertake an assessment of the specific organizational development needs of each cooperative with which GI has been working for at least one full year, and to develop a plan to address those needs through targeted training and technical assistance. A similar assessment will be undertaken to identify future cooperative leadership and to develop training plans for each future leader. An additional program officer was also recruited for the Gobi Forage project. The new program officer has specific skills in GIS mapping and with the development of databases. The main tasks for the new officer will include translating the Gobi Forage web site into the Mongolian language and developing the forage forecast maps for dissemination. There were no other key staffing changes during the second quarter.

Spending through June 30, 2005 has not yet been completely finalized, but preliminary figures indicate cumulative expenses of \$2,199,998. This amount is composed of the following:

UB Project Management	\$ 558,225
UB Program Delivery	\$ 378,541
Aimag Program Delivery	\$ 553,973
PACT/RBN	\$ 484,193
Indirect Cost	\$ 225,066

<b>TOTAL</b>	<b>\$ 2,199,998</b>
--------------	---------------------

The reallocation of Program Delivery expenses into 'target group' results in the following:

UB Project Management	\$ 558,225
Herder Businesses	\$ 536,311
Non-Herder Businesses	\$ 326,863
Local Government/Other (market events, etc)	\$ 69,340
PACT/RBN	\$ 484,193
Indirect Cost	\$ 225,066
<b>TOTAL</b>	<b>\$ 2,199,998</b>

## CONCLUSIONS AND RECOMMENDATIONS

The second quarter has been a very busy period with business plan implementation well underway for the one hundred and sixty-two (162) herder clients. The majority of these clients have received the planned training and technical assistance, with a total of one hundred and forty-five (145) interventions implemented during the reporting period. As part of regular program monitoring, the UB-based program officers have visited most of the herder clients in all aimags and it is clear that there is still a need for additional technical assistance for some of the herder clients. The main sectors needing additional technical assistance include fodder/vegetable, dairy and felt production. The need for the additional technical assistance is directly tied to the production cycle with the summer months being the busiest season for these specific sectors.

Parts of the Gobi are experiencing drought conditions with Dundgovi the worst affected. The aimag government is reporting that up to one million animals may have migrated to neighboring aimags in search of better pasture conditions. The drought and poor pasture conditions have impacted the ability of some of the GI herder clients to fully implement their business plans. Some members of the groups have moved in search of better pasture with their livestock, leaving others (primarily elders and children) behind to maintain the other activities and businesses. Aimag program officers have been assisting those herder clients affected by the drought to develop contingency plans for their business activities and to find alternative sources of feed and fodder for their livestock.

The program continues to work with the remaining herder groups to assist them in establishing a legal entity, the most appropriate entity for herder groups being the cooperative. There has been some resistance from the remaining herder groups to form cooperatives. Although the groups have a fairly good understanding of the formation, tax and reporting requirements, they do not fully understand the tax and other benefits that can accrue to a cooperative and its members. With the recent addition of a cooperative development officer, the program is now able to increase its efforts to provide greater training and technical assistance to the remaining thirty seven (37) groups that have not formed a cooperative or legal entity. The objective is for these groups to be able to make a fully informed decision as to whether to form a cooperative or some other form of legal entity, or to remain an informal herder group. The other priority for the second half of the year is to concentrate on identifying the organizational development needs of each cooperative with which GI has been working for at least one full year, and to develop a plan to address those needs through targeted training and technical assistance.

GI continues to use sales generated by the program clients as an indicator of success. During this second quarter, GI herder groups/cooperatives generated sales of MNT 219.2 million (USD 184,000), bringing the cumulative total to MNT 283.6 million (USD 238,000). As the year progresses, the project will continue to provide herder clients with technical assistance to improve the marketability of their products, and will also assist with creating linkages to local as well as regional (or even national) markets. The sales generated by the program clients are tracked on a monthly basis and the information is maintained in the program's database. The majority of sales will be realized in the second half of the year, concurrent with production

cycles. The annual trade fairs that will take place in September will also provide a good opportunity for many of the GI clients to sell and promote their products.

The Mercy Corps loan guarantee mechanism continues to be a crucial component of the program and remains instrumental in linking rural businesses (particularly herder businesses) to the financial services sector. In this second quarter, a total of 76 herder businesses and one non-herder business received loans totaling MNT 187.7 million (USD 157,700), bringing the year-to-date total of loan recipients to 123 businesses and MNT 323.0 million (USD 271,100). Mercy Corps provided a total of MNT 135.8 million (USD 114,000) as additional cash collateral during the quarter through the USDA-funded loan guarantee program component; the year-to-date total is MNT 247.6 million (USD 208,000).

The monitoring and evaluation of training and technical assistance interventions is an area that the program has continued to prioritize with the development of a standardized monitoring and evaluation system covering all training and technical assistance activities. The system provides the aimag-based program officers with a formal framework for conducting monitoring and documentation of training and technical assistance activities. Efforts will now focus on content quality and timely completion and submission and on the incorporation of findings into future training and technical assistance activities. The selection of consultants will also be based on the information documented in the monitoring and evaluation forms. The 'certification' process itself continues to be implemented with a total of twenty-eight (28) local aimag consultants have now been assessed. During the second half of the year, GI will focus on providing the local aimag consultants that were certified 'OK' with additional training to improve their skills and technical knowledge.

At this point in time, Mercy Corps and Pact have no recommendations for any material changes to the GI Phase II program.

This concludes the Year Two Second Quarter Report.

Attachments to this Report are:

- Appendix 1: Details of Herder Client Sales from the First Six Months Of 2005
- Appendix 2: Details of the Aimag Consultants That Were Evaluated and Certified By the Program
- Appendix 3: Samples of the Monitoring & Evaluation Forms used for Training and Technical Assistance Interventions
- Appendix 4: Map with Details of Gobi Forage Monitoring Sites in the Target Aimags
- Appendix 5: Translation of RBN Radio Program
- Appendix 6: Report on the PISA Rapid Assessment Conducted on RBN Products (RBN Magazine and Radio/TV)

**DETAILS OF HERDER CLIENT SALES DURING THE FIRST SIX MONTHS OF 2005 - Annex 1**

	Name	Soum	Type	Planned Sales	Revenue						
					Actual Sales CY2005 (MNT)						
					January	February	March	April	May	June	total
1	Aviat Aman Bulag	Zuunbayan	C	24,000,000					0		0
2	Taatsiin huh arvai	Baruunbayan	C	810,000					0		0
3	Badama Junnai	Ulziit	C	2,980,000					0		0
4	Ikx salhit	Bayan undur	C	10,080,000					0		0
5	Zuunbogdiin Uguuj	Bogd	P	5,781,250					0		0
6	Mazar bayanhangai	Tugrug	C	6,199,000					0		0
7	Barchin zalaa / Ikx zalaa	Hairhandulaan	C	5,425,000					0		0
8	Munkhgunvan Khairkhan	Nariinteel	C	5,956,000					0		0
9	Ugalz Buman Sureg	Tugrug	C	2,172,200					0		0
10	Uguuj Teel	Nariinteel	C	1,950,400					0		0
11	Undur Bayan Hairhan	Bogd	P	1,760,000					0		0
12	Bayanzulegt	Huiirt	C	5,220,000					0		0
13	Uguuj Chandmana	Tugrug	C	6,975,000				204,600	484,950	502,500	1,192,050
14	Shimt sureg	Arvaiheer	C	8,320,000				520,000	0		520,000
15	Ideenii deed	Uyanga	C	1,800,000					0	275,000	275,000
16	Huduugiin amidral	Bavangol	C	2,940,000					0		0
17	UUMAA	Harhorin	HG	5,625,000					0	1,376,550	1,376,550
18	Munkhbulag-suu	Harhorin	HG	3,480,000					0	387,500	387,500
19	Taliin uguuj	Bogd	HG	7,336,000					0		0
20	Urhukh dulguun	Zuunbayan	C	5,286,000					0		0
21	BVG	Arvaiheer	P	11,745,850					0		0
22	Mungun zalaa	Harhorin	HG	4,104,000					0		0
23	Munkh turuu	Bogd	P	2,991,000					0		0
24	Danshiq deni	Usunzuil	C	2,100,000					0		0
25	Hiadin Gobi	Burd	C	1,070,000					0		0
26	Dulguun devshil	Zuunbayan	C	4,000,000					0		0
27	Bavandulguun	Usunzuil	C	13,090,000					0		0
28	Hiimorit tahilga	Nariin teel	C	6,425,000				1,143,100	0	537,850	1,680,950
29	Nutuin buvan	Usunzuil	HG	5,220,000			445,600	599,300	508,700	629,500	2,183,100
30	TMZA	Tugrug	P	8,837,440				1,560,600	#####	2,615,300	5,766,700
31	Uzmen ish	Bogd	P	5,468,200				1,374,000	777,000	274,600	2,425,600
32	Jargalant qol	Burd	P	8,796,730			323,750	2,102,860	#####	2,000,000	6,426,610
33	Usuqh-Erdene	Baruunbayan	C	158,900,000	11,053,000	#####	#####	9,483,000	#####	#####	77,781,000
34	Ukhbaa hudag	Bogd	P	6,530,000			366,000	556,500	588,000	588,000	2,098,500
<b>Uvurhangai TOTAL</b>				<b>353,374,070</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>	<b>#####</b>
35	Badrah Shand	Sumber	C	4,770,000							0
36	Sumber Tsagaan Tameet	Sumber	C	4,000,000		69,000	500,000		64,000		633,000
37	Baga sansar	Sumber	C	6,362,500							0
38	Devjikh /Tevshnii hajuu us	Sumber	C	10,140,000					35,000	150,000	185,000
39	Bishrelt sumber	Sumber	C	8,850,000	20,000	20,000		80,000	91,000	390,000	601,000
40	Doshin jirem	Shiveegovi	HG	11,400,000	40,000	72,000	36,000	180,000	300,000	3,672,000	4,300,000
41	Ikx uul	Bavantal	P	17,915,500	385,000		1,426,000		220,000	9,800,000	11,831,000
42	Tsavchirin ekh	Tsaqaandel	C	11,690,000	500,000	522,000	675,000		150,000	6,951,000	8,798,000
43	Heentsii	Sumber	HG	21,364,000	622,000				62,000	#####	11,804,000
44	Mandal Sansar	Shiveegobi	C	7,800,000					88,000	560,000	648,000
45	Hudulmurin och	Sumber	LLC	16,043,000	125,000	87,000	158,000	15,000	#####	842,000	2,249,000
<b>Gobi-Sumber TOTAL</b>				<b>120,335,000</b>	<b>1,692,000</b>	<b>770,000</b>	<b>#####</b>	<b>275,000</b>	<b>#####</b>	<b>#####</b>	<b>41,049,000</b>
46	Baidragiin Khishigt	Bumbuqur	C	3,540,000							0
47	Tsaqaan undraga	Baatsagaan	C	1,720,000							0
48	Modon Ovoonii Ekhlai	Jinst	C	2,500,000							0
49	Tsenheriin Tsuurai	Bayan-Undur	C	1,800,000							0
50	Altan teel	Bayan-undur	HG	1,220,000							0
51	Shuuj bayan orgil	Bayanliq	C	3,100,000							0
52	Ulziit hyariin orgil	Ulziit	C	4,250,000							0
53	Asqamba	Bayan ovoo	C	7,350,000							0
54	Baruun nuur	Buustagaan	C	1,950,000							0
55	Shirgiin hudag / Erdene	Bayan-Undur	C	1,960,000							0
56	Har khud / Ikx maihan	Bayan-Undur	C	3,480,000							0
57	Gurvan tsahir	Buustagaan	C	4,216,000							0
58	Hoolt ehlek	Bayan ovoo	C	2,875,000							0
59	Tovgoriin dalan	Baatsagaan	C	3,165,000							0
60	Vant hairhan / Hoshoot	Erdenetsot	C	4,550,000							0
61	Sharгалзуут	Bayanhongor	C	2,875,000						200,000	200,000
62	Buyant hongor	Erdenetsot	C	2,800,000				125,000	60,000	200,000	385,000
63	Jargalant-Sumber	Erdenetsot	C	4,350,000				155,000		300,000	455,000
64	Mandal	Jargalant	C	2,890,000		150,000	107,500	130,600	49,000	133,000	570,100
65	Zuliin dul	Galuu	C	4,875,000				46,400	38,900	240,000	325,300
66	Sarlagiin shim	Zag	C	3,840,000							0
67	Zalan	Gurvan bulag	C	2,478,000			90,100				90,100
68	Orogiin dolqio	Bogd	C	2,220,000						150,000	150,000
69	Bayan	Gurvan bulag	C	4,166,000							0
70	BNE	Bayan undur	C	6,933,000					960,000	900,000	1,860,000
71	Eruul urjihui	Galuu	C	5,950,000					#####	380,000	1,740,000
72	Mongol ovoo	Baatsagaan	LLC	5,995,000					#####	826,000	2,425,000
73	Munkh buqas	Baatsagaan	C	15,152,000				600,000	617,000	1,078,000	2,295,000
74	Uutiin urlal /Tsagaan	Tsaqaan	C	7,034,000				113,500	194,000	1,000,000	1,307,500
75	Ikx bogd Urgun	Bavangovi	C	12,500,000							0
<b>Bayanhongor TOTAL</b>				<b>131,734,000</b>	<b>-</b>	<b>150,000</b>	<b>197,600</b>	<b>1,170,500</b>	<b>#####</b>	<b>5,407,000</b>	<b>11,803,000</b>
76	Har hairhan	Saihan ovoo	P	2,750,000							0
77	Toqtokh tav	Saintsagaan	P	2,920,000							0
78	Alagiin Devshih	Deren	C	4,450,000							0
79	Esunbulag	Adaatsag	NGO	2,720,000							0
80	Ukh bayan hairhan	Saintsagaan	NGO	5,330,000							0
81	Baraat	Delqertsot	HG	4,560,000							0
82	Shine sanaa	Adaatsag	P	2,892,400							0
83	Bulag	Saintsagaan	HG	14,830,000					#####		3,330,000
84	Busiin huiqil	Saintsagaan	C	14,410,000							0
85	Aduunii hiimori	Delqerhanga	P	13,600,000							0
86	Eviin huch	Govi uqtaal	P	8,320,000						7,762,000	7,762,000
87	Oldokhiin Devikh	Khuld	C	8,040,000		195,000			#####		1,335,000
88	Tsaqaan chuluut	Deren	NGO	25,590,000			910,000				910,000
89	Logiin Gobi	Saintsagaan	C	3,978,000							0
90	Uul	Khuld	HG	7,230,500						315,000	315,000
91	Gal Michid	Luus	C	6,180,000							0

92	Shuvuutai hairhan	Khuld	P	6,000,000									0
93	Shar shuvuutai	Khuld	P	6,000,000									0
94	Ikь buurtsaq	Saikhan-	P	2,850,000									0
95	Halzan dalai	Erdene dalai	C	3,800,000				105,000	630,000	221,000			956,000
96	Altqana ulziit	Ulziit	C	9,434,000				522,000	120,000	3,000,000			3,642,000
97	Ugtaal chandmana	Govi-ugtaal	C	8,050,400				510,000	113,000	2,800,000			3,423,000
98	Borijigon Erdene	Bayanjarqala	LLC	9,924,000				760,000	120,000	1,400,000			2,280,000
99	Togroglin Iqeltsel	Khuld	C	45,928,000			1,986,000	5,510,000	#####	3,800,000			15,486,000
100	Buyanbulag	Ulziit	NGO	5,900,000				309,000	300,000	300,000			909,000
101	Delgerbulag	Bayanjarqala	HF	6,580,000		60,000	150,000	150,000	600,000	450,000			1,410,000
102	Bayanteeg	Saikhanovoo	P	4,694,500						50,000			100,000
103	Bayanbulag	Ulziit	HF	3,840,000							300,000		300,000
104	Arvindalai	Saihan ovoo	HG	5,950,000									0
105	Shar ereg	Saihan ovoo	HG	2,000,000									0
Dundgovi TOTAL				248,751,800	-	255,000	#####	7,866,000	#####	#####	#####	42,208,000	
106	Bayan sharga	Sharga	HG	6,210,000									0
107	Tsagaan haalga	Biger	C	6,095,000									0
108	Gazriin uguuj	Taishhir	C	6,890,000									0
109	Khurimt ugul	Khaliun	C	1,955,000									0
110	Hamtiin khuch	Biger	HG	3,475,000									0
111	Chuluunbat	Yusenbulag	HG	3,581,000									0
112	Umuхkь Buyan	Yusenbulag	HG	7,235,500		250,000	260,000			450,000			960,000
113	Baatar dan	Chandmana	C	1,937,500									0
114	Durvun uul / Devshil	Yusenbulag	P	5,923,000									0
115	Buraгt bulag	Tugrug	HG	1,600,000			275,000		175,000	25,000		35,000	510,000
116	Arsain tsenkher / Ulziit	Yusenbulag	LLC	4,125,000								192,000	192,000
117	Gangan khiits / Ikь	Biger	P	3,190,000			2,000	19,000	75,000				96,000
118	Erdene uul	Chandmana	C	11,515,000			40,000	50,500					90,500
119	Ovoo den	Huhmorit	C	16,680,000									0
120	Tarian ovoo	Delger	C	15,400,000								1,304,000	1,304,000
121	Sor manlai	Delger	P	22,000,000									0
122	Dalan turuu	Bayan uul	HG	4,470,000			250,000	84,500	46,000	120,000			500,500
123	Usan zuil	Tonhli	HG	8,269,000		513,000	60,000	365,000	223,000	50,000		743,000	1,954,000
124	AMT BAL	Tseel	LLC	13,660,000					387,700	581,000		2,392,700	3,361,400
125	Bat bukh	Bugat	C	7,470,000				352,000		994,700		1,552,800	2,899,500
126	Deed Qolqo	Tseel	C	7,332,000					783,730	305,800		2,236,400	3,325,930
127	Gune bulag	Jargalan	LLC	5,636,000					514,160	699,000		941,200	2,154,360
128	Shunhan	Chandmana	LLC	5,948,500				200,000	223,000	450,000		840,000	1,713,000
129	Tsagaan baavqai	Dariv	C	5,986,000				201,700	211,000	178,500		601,300	1,192,500
130	Ailiin Gerel	Altai	C	21,670,000						#####		2,102,000	3,322,000
131	Tsoni	Delger	C	3,130,000						30,000			30,000
132	Bayan ulaan taishir	Taishir	C	3,820,850				85,000		125,000			210,000
133	Altain devshil	Tseel	C	9,777,600						545,000			545,000
Gobi-Altai TOTAL				214,981,950	763,000	887,000	#####	2,638,590	#####	#####	#####	24,360,690	
134	Aduut Gobi	Hurmen	C	3,201,000					93,000	0			93,000
135	Nariin har	Hanhongor	HG	940,000						0			0
136	Orgil bulag	Hanhongor	HG	8,960,000						0			0
137	Uuriin туva	Tsoot-Ovoo	HG	800,000						0			0
138	Gobi Tulga	Hanhongor	C	8,232,000						0			0
139	Jasragalantiin itqeltsel	Bayandalai	C	3,335,000						0			0
140	Zuramtain devshil	Bayandalai	P	2,385,000						0			0
141	Ovut	Hanhongor	P	8,280,000						0	200,000		200,000
142	Bayan bayalag	Nomqon	HG	2,600,000						0			0
143	Duulqaa	Hanhongor	P	950,000					100,000	0	40,000		140,000
144	Bayan-Undur	Hurmen	P	2,575,000						0			0
145	Sarlag	Bayandalai	HG	3,760,000						0			0
146	Huren Hana	Novon	HG	2,314,500					601,250	0			601,250
147	Chandmana erdene	Bayandalai	HG	3,000,000						0			0
148	Bayan hairhan	Hanhongor	P	690,000						0	30,000		30,000
149	Anh san	Bulgan	C	5,200,000		150,000	154,500	220,000		400,000	200,000		1,124,500
150	Altan goviiin shiree	Bulgan	C	9,900,000						0			0
151	Avrah	Hanhongor	HG	3,860,000						135,000			135,000
152	Serven hairhan	Sevrei	HG	3,520,000			68,000			492,000	902,000		1,462,000
153	Darkhan qovi 2 /	Hanhongor	LLC	10,275,000						0			0
154	Bayan bilqeh	Tsoot-Ovoo	HG	2,795,000					1,200,000	900,000			2,100,000
155	Naran Zug Melmii	Novon	P	3,071,500				61,300	102,000	460,400			623,700
156	Bumbat urihi	Tsoottselsii	P	2,287,000				120,000	122,500	0	67,600		310,100
157	Han javhlant	Hanбогд	C	1,643,200					61,000	738,240		157,160	956,400
158	Sod bayalag	Nomqon	HG	11,880,000				#####	1,600,000	#####			3,900,000
159	Enger Tsagaan	Tsoottselsii	LLC	100,700,000	4,000,000	#####	#####	#####	4,000,000	#####	#####	#####	47,000,000
160	Galbiin hugil	Hanбогд	C	16,578,000				#####	720,000	257,000			3,019,000
161	Harmagtain buur	Nomqon	C	2,970,000		250,000				0			250,000
162	Goviin buyн delgerekh	Tsoгt-Ovoo	C	5,350,000						124,000			124,000
Umnugovi TOTAL				232,052,200	4,000,000	#####	#####	8,819,750	#####	#####	#####	62,068,950	
GRAND TOTAL				#####	#####	#####	#####	#####	#####	#####	#####	#####	#####

**Annex 2: Details of the Aimag Consultants that were evaluated and certified by the program.**

<b>Aimag consultant name</b>	<b>Aimag consultant technical expertise</b>	<b>UB based professional conducting the certification assessment</b>	<b>Certification status and comments</b>
1. Ch. Bat-Ireedui (BH) February	Cooperative development.	Trainer M. Ganchimeg of Cooperative Training & Information Center	Obtained 'OK' assessment as cooperative trainer for beginners. 'Certified'
2. B. Byambasuren (BH, GI Officer) February	Cooperative development.	Trainer M. Ganchimeg of Cooperative Training & Information Center	Obtained 'Excellent' assessment as cooperative trainer for beginners and intermediate level. 'Certified'
3. L.Enkhjargal (GA) CPA	Financial management and accounting for herder cooperatives.	Ms. Enkthuul - CEO Mongercoop. CPA	Obtained 'good' assessment. 'Certified'
4. Kh.Nergui (UH) CPA	Financial management and accounting for herder cooperatives.	Ms. Enkthuul - CEO Mongercoop. CPA	Obtained 'very good' assessment. 'Certified'
5. Zayasurem (UG) CPA	Financial management and accounting for herder cooperatives.	Ms. Enkthuul - CEO Mongercoop. CPA	Obtained 'good' assessment. 'Certified'
6. Kh. Buuveibaatar (DG) March	Cooperative development.	Trainer S. Bolormaa of Cooperative Training & Information Center	Obtained 'very good' assessment as cooperative trainer for beginners. 'Certified'
7. M.Mendbayar (GS) February	Cooperative development.	Trainer S. Bolormaa of Cooperative Training & Information Center	Obtained 'good' assessment as cooperative trainer for beginners. Needs to improve teaching methodology as well as financial management. 'Certified'
8. Y.Batnyam (UG) April	Cooperative development	Trainer S. Bolormaa of Cooperative Training & Information Center	Obtained 'good' assessment as cooperative trainer for beginners. 'Certified'
9. D.Khurelbaatar (UG) April	Cooperative development	Trainer S. Bolormaa of Cooperative Training & Information Center	<i>'Not certified'</i> - this trainer has no training materials and did not prepare any training materials. Lack of training experience.
10. D.Naranchimeg (GA) April	Cooperative development	Trainer M. Ganchimeg of Cooperative Training & Information Center	Obtained 'very good' assessment as cooperative trainer for beginners. 'Certified'
11. D.Altantogos (DG) April	Cooperative development	Trainer S. Bolormaa of Cooperative Training & Information Center	Obtained 'good' assessment as cooperative trainer for beginners 'Certified'
12. D.Dashzegve (DG) April	Cooperative development	Trainer S. Bolormaa of Cooperative Training & Information Center	Obtained 'OK' assessment as cooperative trainer for beginners Needs to improve teaching methodology and accounting 'Certified'
13. B.Tsengel (UH) April	Cooperative development	Trainer M. Ganchimeg of Cooperative Training & Information Center	Obtained 'excellent' assessment as cooperative trainer for beginners and intermediat level.

			'Certified'
14. E.Bayarmaa (UH) April	Cooperative development	Trainer M. Ganchimeg of Cooperative Training & Information Center	Obtained 'excellent' assessment as cooperative trainer for beginners and intermediat level. 'Certified'
15. G.Jigjidsuren (BH) April	Vegetable cultivation	Director J. Byatshandaa of Mongolian Women Farmer Association	Obtained 'good' assessment as vegetable consultant 'Certified'
16. D.Borkhuu (BH) April	Vegetable cultivation	Director J. Byatshandaa of Mongolian Women Farmer Association	Obtained 'good' assessment as vegetable consultant 'Certified'
17. Ts.Poli (UG) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'excellent' assessment as vegetable consultant 'Certified'
18. D.Baraaduuz (UG) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'excellent' assessment as vegetable consultant 'Certified'
19. T.Ulambayar (UG) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'excellent' assessment as vegetable consultant 'Certified'
20. Battsengel (UH) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'good' assessment as vegetable consultant 'Certified'
21. B.Ganbat (UH) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'good' assessment as vegetable consultant 'Certified'
22. D.Pagma (UH) April	Vegetable cultivation	Lecturer B. Batdelger of Agricultural University	Obtained 'good' assessment as vegetable consultant 'Certified'
23. D.Orsoo (GA) May	Vegetable cultivation	Specialist N. Belegmaa of MWFA	Obtained 'good' assessment as vegetable consultant 'Certified'
24. B.Narantsetseg (GA) May	Dairy production	Lecturer M. Narangerel of Agricultural University	Obtained 'OK' assesment as dairy hygienic consultant 'Certified' Needs to improve technological knowledge
25. D.Otgonkhand (BH) June	Dairy production	Lecturer M. Narangerel of Agricultural University	Obtained 'good' assessment as dairy consultant
26. Ts.Ariunaa (UH) June	Dairy production	Lecturer M. Narangerel of Agricultural University	Obtained 'good' assessment as dairy consultant
27. Ch. Damba (DG) June	Vegetable production	Lecturer B. Batdelger of Agricultural University	Obtained 'excellent' assessment as vegetable and fodder crop consultant 'Certified'
28. H.Ulzisiorshih (DG) June	Vegetable production	Lecturer B. Batdelger of Agricultural University	Obtained 'good' assessment as vegetable consultant 'Certified'

### Annex 3: Samples of the Monitoring & Evaluation Forms Used For Training And Technical Assistance Interventions

#### TA Form One

Consultant's Report on Performed Work	Date of Submission:
---------------------------------------	---------------------

Name of Consultant (°°°°°°°° °°°°, °°°):	
Contract Number (°°°°°°°° °°°°°°):	
Topic of the Consultancy (°°°°°°°°°°°° °°°°°°):	
Dates of Consultancy (°°°°°°°° °°°°°°°°):	
Name or names of the GI clients (°°°°°°°°°°°° °°°):	
Location of Work to be Performed (°):	

#### 1. Background Information (incl. site visits, attendees info, etc.)

Comments:

#### 2. Topics covered and methodology used (relevant to SOW)

Comments:

#### 3. Report on interaction with client (problems encountered, opportunities identified etc.)

Comments:

#### 4. Recommendations made to the client(s)

Comments:

#### 5. Conclusion, potential next steps and Suggested Action Plan

Comments:

Submitted by (consultant's name): .....

Revised by (GI staff responsible): .....

#### Annex:

- a. Scope of work
- b. Training agenda
- c. Copies of materials used

**Technical Assistance Feedback Form**

Date of collection:

The purpose of this questionnaire is to evaluate the work of short-term Gobi Initiative consultants and obtain feedback as to what needs to be improved and what issues need to be addressed. Please respond frankly to questions provided below.

Consultant name:	
Was the consultant from UB or the Aimag centre?:	
Date of consultancy:	
Subject of consultancy:	

How many TA, training or support have you received from GI before? \_\_\_\_\_

1. Have you been introduced with SOW before the consultancy? Yes No

2. Do you think that SOW indicated clearly about your needs, duties of consultant and results you expect from consultancy?

Yes No If no, then please describe what is not indicated

---



---

3. Have you contributed to preparing the SOW for consultant by yourself? Yes No

4. Your idea on consultant's skills and ability

(Note: Please tick in the box that you think most appropriate).

	Consultant's Skills	Good	Satisfactory	Poor
<b>Technical skills</b>				
1	Theoretical knowledge and professionalism			
2	Practical knowledge			
3	Ability to find out problem with your business operation			
4	Ability to offer different alternatives to solve your problem			
5	Ability to select the best alternatives for your business			
6	Knowledge about the sector and market of your business			
<b>Consultancy skills</b>				
1	Organization and planning of consultancy			
2	Preparation			
3	Time management			
4	Communication with the client and sharing the ideas			
5	Reporting skills (quality of the report)			

5. What was the most important advice (solution to your problem) for you and your business from the consultant?

---



---

6. Did the trainer give your company/business/cooperative new product/service/ideas?

Yes No If yes, then please describe

---



---

7. What was not covered in as much depth as you wanted?

---

?	What was good about the consultancy?	What was bad, incomplete/inadequate or weak point about the consultancy?
1.		
2.		

---

Yes	No	If yes, please describe (area, specific topic, date, 1-1 consultancy or classroom training, advice from where the consultant can be hired )

---

13. Did you find the fee for the consultancy was affordable for you?                      Yes                      No

14. Would you hire the same consultant in the future again?                      Yes                      No

15. Are you ready to pay more for the next consultancy for the same consultant Yes No

16. Did a local Aimag 'Counterpart' attended in the consultancy? \_\_\_\_\_

17. Your idea on local counterparts, do you think s/he is good enough to provide consultancy alone?

	Yes	No
18. Did the GI office facilitate the consultancy effectively?		

*Thank you for your time and assistance.*

<b>Aimag Program Officer Report on Training or Consultancy</b>	Date of report:
--	-----------------

Name of Consultant (???????? ???? ????):	
Was the consultant from the Aimag or UB:	
Reasons for selecting this consultant:	
Name of the GI clients (???????????????? ????):	
Topic of the Consultancy or training (???????????????? ????):	
Number of Participants:	Male: Female:
Location of training or consultancy:	
Date of training or consultancy (number of days):	
Cost Share - amount paid by GI client (MNT)	

If the consultant was from UB - who was the aimag 'Counterpart'?:

Note: If there was a 'Counterpart' the pre and post tests should be attached to this report.

### 1. Background Information on the consultancy or training activity

**Note:** incl. site visits, information on the participants of the training, was there good participation from the herders or non-herder client etc.)

Comments:

### 2. Topics covered and methodology used by the consultant (training skills of the consultant)

**Note:** did the consultant prepare training materials, How detailed were the training materials, how many pages were prepared, had it been tailored to the specific needs of the client consulted (or was it simply generic materials used for all businesses in the same sector). Uses different learning methods e.g. teaching, exercises, group work, practical training, discussion etc

Comments:

### 3. Report on technical knowledge of the consultant

**Note:** Does the consultant have technical knowledge that is up to date? Is the technical knowledge provided to the participants relevant to the SOW and useful to the clients?

Comments:

### 4. Summary on the consultant or trainers skills and abilities (strengths and weaknesses).

#### Recommendations on whether Mercy Corps should use the consultant or trainer for further activities.

**Note:** The technical knowledge and skills of the individual, the relevance of this knowledge to the conditions and environment found in the Mercy Corps Aimags, and the ability to transfer his/her skills to the client in an effective and professional manner.

Comments:

### 5. Overall conclusion of the training or consultancy activity.

Comments:

**6. Lessons learnt from the training or consultancy activity. Include next steps or follow up actions to be taken by the Aimag office.**

Comments:

**Submitted by** (*Aimag Program Office's name*): .....

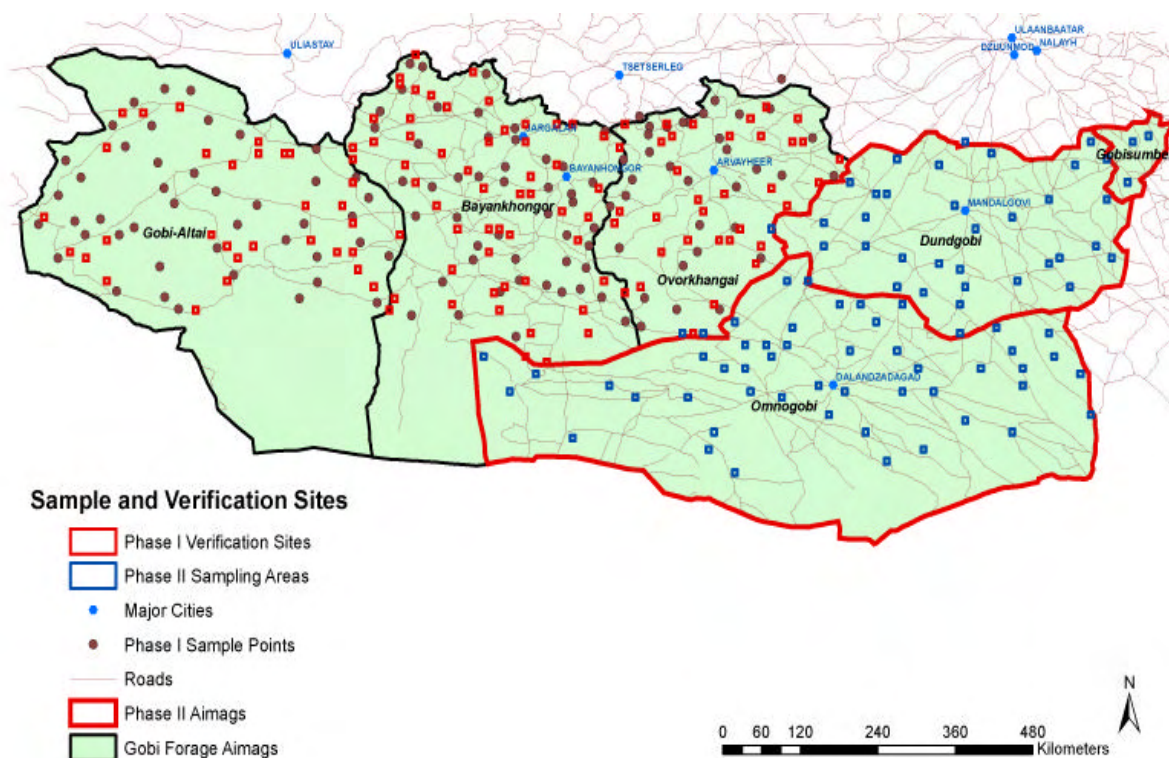
**Reviewed by** (*GI Supervisor*): .....

---

**Annex:**

a. List of names of participants

**Map with details of Gobi Forage Monitoring sites in the Target Aimags.**



## **Annex 5: Translation of one RBN Radio program script**

**Name:** New Idea - New Business (Rural Business News)  
**Broadcast date and time :** 10 July 2005, Friday 7.30 am and 9.15 pm  
**Broadcast by:** Mongolian National Radio  
**Produced by:** Pact Inc (Mongolia), RBN staff  
**Frequency:** LW 4300

### **NEW IDEA- NEW BUSINESS**

Opening theme

*Music (soft and rhythmic melody played by morin khuur) starts and fades down. Music continues playing in low tone beneath the Presenter's voice.*

Presenter (male)- Mongolia's tourism season is starting. Tourists wandering in Mongolia's wild countryside are seen everywhere. Though tourists land in UB's airport, they all head to rural Mongolia, their main destination. Mongolia's major city, Ulaanbaatar, which has only a few tourist attractions, not enough to meet the demands of a heavy flow of tourists.

Therefore, tour operators plan to spend most of their time with clients in the countryside. This means that rural community-based tourism would be the main money magnet for rural residents. How can we increase our profit from tourism? Tourism expert Dr. Gansukh says that there are plenty of opportunities for rural herders.

Dr. Gansukh: The rural community should play the key role in tourism as the main cash cow, because the number of tourists coming to Mongolia is increasing, all wanting to experience the real Mongolian nomadic life.

*Sound of rural life including horse neighing etc.*

Presenter (female): Dr. Gansukh emphasizes that it is not only tour operators who should think of profit from tourism, but also herders also. He added that some successful examples have been observed in Tuv and Umnugovi aimags.

Dr. Gansukh: At the initial stage, herders started selling products like dairy and meat to those traveling by road, but now they are diversifying. Along with their traditional occupations, they have started earning from tourist rides, souvenirs and dairy etc.

*Sound of people riding horses, and talking while selling souvenirs etc.*

Presenter (male): It is thought that there are two main ways that herders could be involved with tourism. First, they can set up a formal or informal business with their own specific products for tourists, including selling souvenirs, providing horse rides and showing them the nomadic life. This has already spread widely among rural herders, as exemplified by many cooperatives and partnerships.

A second choice is for an individual herder to be part of this big business with his or her own small business operation. To achieve this, some herders are studying the needs of tourists, such as what they want to see. They investigate the needs, for example making sure that the horses are friendly and easy to ride, with comfortable saddles. Some have even set up tourist camps. The herders living near existing tourist camps can make better use of this opportunity. Dr. Gansukh also talked about rural examples.

*Sound of national folk concert.*

Dr.Gansukh: Tourists like to see the national dances and hear the songs as well as riding and tasting dairy products. The performance does not need to be by professional singers or dancers, but can be small family concerts. One example is of a Dundgovi aimag herder family that performs for visitors to the local camp, so earning extra income on top of their traditional herding business.

Music fades up and then down.

Presenter (female): It is easy to talk. But how can we act? Let's see how this can be done. Herders need to plan what they can do well and who will buy what for how much. Most advise that herders must offer what they can do best. Dr.Gansukh gives the following advice.

Dr.Gansukh: Generally, people make two main mistakes in tourism business. Some people prepare expensive things for tourists, expecting that they will buy only luxury products and services. But herders should bear in mind that tourists have the same interests as other people. On the other hand, some herders do not pay enough attention to specific items like safety and hygiene. For example, products sold to tourists in the countryside should be safe and clean, meeting international standards. Riding a horse also requires safety, so the herder needs to pay attention to this. Instead, some herders want to build camp like Disneyland, which is unrealistic and unachievable.

Sounds of horse hoofs beating, folk song and tourists talking.

Presente: Here we have a rural business operator engaged in tourism business. The Suun Dalai cooperative of Uvurhangai aimag's Bat-Ulzii soum has recently set up a camp at the local resort and spa. In the past, people had difficulty getting there, as it is 1,500 metres above sea level. So the business operator built a camp here, which has everything the visitor needs. In the past, people had lots of luggage to carry up the high mountain, so the business operator has made it easy to get here. At the same time, Suun Dalai opened a small shop at the camp, where the neighboring herders get their souvenirs sold.

The business operator H.Altantsetseg talks:.

Altantsetseg- Aside from our herding business, we have recently diversified into tourism. We opened a camp at the spa and resort, with horse riding tours and other leisure activities. We also contacted tour operators, offering our services, as they are not able to set up camps at every place a tourist might visit. This is outsourcing for them and a business opportunity for us.

Presenter- A Mongolian proverb says "Hospitality attracts visitors." This also means a business opportunity for herders. We have just touched on the basics of community-based tourism, but for more info please refer to the Rural Business News magazine.

*Closing music*

End credits.

## **Annex 6: Report on the PISA rapid assessment conducted on RBN products (RBN magazine and radio/TV)**

**Date:** 20 June-05 July, 2005

**Venue:** Dundgovi, Gobi-Sumber and Umnugovi aimags

**Goal:** To identify the current level of quality and to learn about the practical use/ impact of the information for businesses and the outreach of the current information

**Survey methodology:** Participatory rapid assesment tool - PISA through a questionnaire and interview. Users of RBN information were selected as respondents. The goal of the survey was to identify the current level of quality of the information disseminated and the use of the information.

**Coverage:** 193 respondents and interviewers from three target aimags

**Soums covered by the survey:** 14 soums: Saintsagaan, Luus, Huld, Delgerhangai and Saihan-Ovoo (Dundgovi Aimag), Hanhongor, Nomgon, Tsogt-Tsetsii, Hurmen, Sevrei and Dalanzadagad (Umnugovi Aimag) and Bayan-Tal, Shivee-Govi and Sumber (Gobi-Sumber Aimag)

**Total distance travelled:** 1562 kms

**Demographics;** Of the total 193 respondents, 106 were male, 87 were female. The ages of the respondents were as follows: up to 25 years old - 39; 26-35 years old - 34; 36-50 years old - 77; and above 50 years old - 43. Respondents included 55 herding business operators, 39 civil servants, 27 non-herding business operators, 27 unemployed and 20 pensioners.

### **The questionnaire**

#### **RBN magazine**

The questionnaire was delivered to 193 magazine readers, radio listeners and TV viewers in three Gobi aimags: Umnugovi, Gobi-Sumber and Dundgovi. Pact Market Watchers, in association with stringers and under the supervision of the GI Rep Office, facilitated the survey, which was followed up by an interview to verify the correctness of the data and the preliminary conclusion. After data retrieval through the questionnaire, the preliminary conclusion was drafted so that it could be used to verify respondents' opinions.

60 percent of respondents said they received RBN magazine through subscription, while the rest received theirs from different sources, including direct sales, friends and neighbors. All respondents were familiar with RBN information, which meant the responses they provided would be appropriate for measuring the impact. 86.4 percent said they thought the information provided by RBN was useful and of a high quality, facilitating their business decision-making and stimulating ideas. 156 people interviewed had started a new business, diversified, expanded, achieved and improved their business operation, of the 156 interviewed 108 people had used RBN information. The respondents said the most useful information was obtained from Market Watch (65%), Business Corner (74%), Herders' Tip (71%), Technical Insert (44%), Aimag Pages (44%) and Lead Story (50%).

#### **RBN radio**

40 percent said they were regular listeners of RBN radio, while the remaining respondents were familiar with the RBN programs, listening to the program at least once a week. As far as RBN radio was concerned, 34% of the respondents liked Animal Husbandry Management, 46% Weather Watch, 38% Market Watch, 22% Business ABCs, 25% Business Opportunities, 25% Cooperative Time and 17% Interview. 70% of the respondents said they would miss the radio broadcast if it were not broadcast.

The respondents used a five-point system to evaluate RBN magazine, radio and TV. On average, they gave the magazine 4.2 points and the radio program 4.0 points. A quarter of the respondents said local

advertising should be improved as they lacked information about where to get the magazine. 12 respondents said they wanted to have a lottery like other yellow papers, which they said would boost subscriptions. 8 respondents were concerned that the Market Watch information in the magazine arrived late, while 2 said they had received incorrect price data. One respondent strongly criticized RBN for including more photos, while some said there was a drawback in the distribution system. For the TV program, four respondents complained about the poor information content, differences in the price information, programming time that was too short and a lack of proper business operators/cooperatives used to highlight practices in the program.

Of the 193 respondents, 160 were positive about the viable use of RBN media products, saying that such of the information was practical and useful, stimulated ideas and provided tangible input to achieve a profitable business. They did not have any difficulty in understanding the content, although 30 respondents had some problems in the practical application of that information, such as a lack of funding, labor and time. It was shown that many business operators were effectively using RBN information in conjunction with other information sources. More than 60 percent of respondents made their decisions based on RBN and other sources of information. When it came to selling and pricing decisions related to their businesses, the Market Watch information was the principle source of information used when making the decisions.

The rest of the questions were based on revealing future needs. Respondents proposed improving the content (12 people), increasing the frequency (27), enhancing rural advertisements so that it reaches a broader audience (20), starting a business English corner (8), minimizing story size (13), opening a legal and health corner (11), writing the stories in clear and concise language (5), broadly offering advertising opportunities for local business operators (8) and improving the layout and photo quality. For the radio, respondents wanted longer program hours (19), an improvement in broadcast quality (11), the broadcasting of more accurate information on Weather Watch and Market Watch, and diversifying into different topic programs (5). Seven said they wanted there to be an independent 'Rural Business News' TV program.

### **The interview**

After the questionnaire data retrieval, a follow-up interview took place in an attempt to verify the findings of the questionnaire. 8-15 people in each aimag were interviewed. As well as verifying the survey findings, the interview was designed to identify the application and usefulness of the RBN products.

Respondents mentioned the following:

- I use Market Watch information everyday. For example, I sell 60 liters of milk at the aimag center when the price is higher. I also sold 16 sheep to Ulaanbaatar meat sellers after I found out that the price for meat had skyrocketed.
- I froze milk in the fall in a plastic bag and stored it over the winter. Before Tsagaan Sar, I sold the milk at a higher price than it was in fall.
- Training is really important to us. Frankly, I do not understand the concepts of cooperatives and intensive farming. RBN fills this gap in our "head".
- I started a Buryat-boots business two years ago after getting the idea from RBN. I am planning to improve the quality, making them lightweight and durable, based on tips that RBN provided recently.
- I make my business decisions based on five things: the experiences of neighboring businesses, my own observation, discussion with partners, my own feeling and information I learn from RBN.
- Raising red cashmere goats, planting fodder plants and building a labor-saving animal dipping bath are all ideas I gained from RBN.